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BUY IT, RIP IT, FLIP IT

Inner city redevelopments can pay off big time, but buyer beware in Calgary's sizzling market

BY DEREK SANKEY



Overlooking Confederation Park and the downtown skyline, homes in the inner city community of Rosemont are prime pieces of Calgary real estate. Rosemont, and others like it, seem to have all the advantages; inspiring views, plenty of park spaces and pathways, retail shopping in every direction, a very short commute to downtown and beautiful homes in the heart of the action.

In a real estate market as hot as Calgary's, though, these neighbourhoods are being transformed as a growing trend intensifies: buying existing inner city properties, tearing them down or completing a major renovation and flipping them back out onto the market for a profit.

Milo Anderson sees the trend first hand every-day as a realtor in Calgary and he knows why so many people are trying to jump on the buy-and-flip bandwagon. "What I see from a realtor's standpoint is everybody's looking for the 50-foot (lots), knocking down the house and then putting two infills in," he says.

If you can buy an inner city bungalow for about \$300,000, put two \$600,000 infills on the land, the profits can be staggering when everything goes right. Anderson kind of fell into the trend, too. He bought a house in Rosemont with the intention of calling it home. But, when he re-married in November, the couple decided to move into her house in Panorama. That's when he saw the opportunity.

"There was potential of infill, but we decided to take the existing house and do an addition to it," he says of the quarter-acre lot. "We figured there's so many infills that we might as well keep the large house on a large lot."

But even finding a property to buy, reno or rip down, and flip can be tough. And prices are escalating. Anderson saw a Killarney listing go onto the MLS system in January with an asking price of \$310,000. It sold a few days later for \$396,000. While there were 6,000 listings on the market at any given time last year, there are about 1,000 available this year. The number of homes priced over \$1 million has almost tripled in Calgary over the last two years.

For inner city buyers looking to cash in on the buy-and-flip trend, you had better do your homework.

"We're all kinda wondering when the heck this thing is going to stop," Anderson says. Sharon Luft, another Calgary realtor who hunts for inner city homes for her clients, agrees the listings are so low it's getting hard to even find a home to live in. "There's no selection. We're seeing houses come onto the market on Wednesday night and on Thursday you

have multiple offers," says Luft.

There are signs the market is moderating, though. Interest rates continue to climb slightly, although they are not expected to go more than one-half of a percentage point higher this year. Industry forecasts predict a slowing in the number of new housing starts this year over last and the trend is expected to continue.

Meanwhile, labour shortages and cement costs have put a few wrinkles in new homebuilders' plans. Some have had to limit the number of homes they build, while it's not uncommon to have to wait 12 to 18 months for a home to be constructed.

For inner city buyers looking to cash in on the buy-and-flip trend, you had better do your homework. It takes a lot of work and there is considerable risk, given all of the variables. However, if you have an inner city property that's undergone a major renova-

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tion or rebuild, it's a pretty safe bet you will make a hefty sale when all is said and done.

"The more people that move here, the more traffic there is and so more and more people are willing to pay the bucks to get into the inner city," says Anderson, who bucked the trend toward total tear-downs and opted for a major reno instead. He added 1,000 square feet to the existing 1,400 square feet. "When I bought it, it had green shag carpets, copper appliances and everything else," he says with a laugh.

But many people are making it a full-time job to buy inner city homes and flip them into modern, multi-family dwellings. Joel Goralski, who sold his stake in Remax Classic two years ago to pursue his business, says it's a thriving trend and one that shows promise for at least a couple of years to come.

"We moved into the Marda Loop area from Hidden Valley and our eyes were truly opened," says Goralski. "We were so taken with the area that we really wanted to become a part of its development." So, he did. He's been building ever since and says the market is growing because many people are looking to change their lifestyles from the distant, bland, suburbs to neighbourhoods that are closer to the action yet retain a sense of community.

"People are looking at lifestyle changes that enhance their quality of life. One of the biggest things you can do to enhance quality of life is to move into the inner city," he says. One of the problems is that too many people jump head-first into the trend without the proper knowledge or contacts.

"Finding land is the most challenging aspect," he explains. "You need to have at least two years of land banked to make this business successful." Where he used to pay \$300,000 or less for an older bungalow, he's now paying upwards of \$400,000 for the same property.

He also changed his focus recently to include more "exclusive," smaller units into the mix. It allows for a better price overall, but retains the same qualities as the larger semi-attached infills.

But before you start scouring the city for inner city developments to flip for a nice profit, you might want to consider the buyer beware mantra. Anderson, who gutted his Rosemont estate during the renovation and expansion, says that for a relatively simple plumbing job, he had quotes from plumbers that ranged from \$2,200 up to \$13,300 for the exact same job.

"That's the kind of rip-off stuff that is occurring out there right now because the market is so hot that people will just pay whatever," says Anderson. Seniors, in particular, are left susceptible to some trades workers who will jack up the cost as high as they can. Then, there are the community associations. "There are a lot of communities that aren't that impressed by (infills)," he says. "If it tried to do that in Rosemont, the community association would have been up in arms because ... they like the traditional character of the community."

The Established Communities District includes many of the inner city neighbourhoods targeted for rebuild projects. It requires

developers to seek additional permits and approval for any project, says Anderson, which has even led some people to look just outside the inner city area to buy, rip it down, and flip it.

There are also tax considerations to take into account, including capital gains taxes and a wide range of other legal matters to contend with. Building permits can take several months to process, while builder delays, community consultation and rip-off artists are all part of the game.

If you've got the expertise, the money and the willingness to slog through the entire process, then deciding whether to renovate

or rebuild is the next step, providing you are able to locate a suitable property. Most people opt to rebuild because renovating can cost as much, or even more, than rebuilding, says Goralski.

"Major renovation is usually a choice made by someone who owns an existing home or someone who is specifically looking to renovate an old home," he says. Many old apartment buildings are being renovated into condominiums because that market is also growing, but that in itself poses a major problem. Fewer rental units in the core adds to homelessness, rising poverty levels and inadequate, affordable housing.

Living in the inner city, though, certainly has its perks. Many people say they make the move because the suburbs are isolated, bland, cookie-cutter communities. Others cite the shortened commute times, proximity to recreation

and leisure activities, as well as a greater mix of people and vitality.

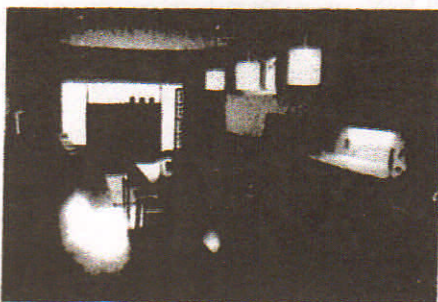
Glamorgan, Killarney-Marda Loop, South Calgary, Altadore, Richmond Park, Knob Hill, Hillhurst and West Hillhurst, Bankview, Lower Mount Royal, Rosemont, Connaught, and many others are on the hit list for inner city development. Huge condo projects, meanwhile, continue to push ahead on the edge of the downtown core.

Luft says that one of her colleagues think the market is going to soften significantly within three to four months, whereas Goralski believes it will be strong enough to sustain activity similar to what's being seen for about two or three years. Even if the markets do slow somewhat, though, it still makes them burning hot instead of searing hot.

Anderson says he will likely flip his Rosemont property soon. He doesn't really want to leave it because it's such a beautiful location and a lot of work went into the home. Still, owning two homes is only practical for so long. As a realtor, Anderson is always looking out for the next hot property to come onto the market. His clients are awaiting just as eagerly. He remains astounded at the prices people will pay for that "perfect" house. "It's interesting to see how much money people are willing to pay," says Anderson. ■



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Interior shots of recently build infill townhomes